

PAID INC
Form PRER14A
October 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

Consent Solicitation Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Consent Solicitation
 Confidential, for Use of the Commission Only (as permitted by Rule
14a-6(e)(2))
 Definitive Consent Solicitation
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

PAID, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Consent Solicitation Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
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| (2) | Aggregate number of securities to which transaction applies: |
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amount on which the filing fee is calculated and state how it
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

PAID, INC.
200 Friberg Parkway, Suite 4004
Westborough, Massachusetts 01581
(617) 861-6050

To the Stockholders of PAID, Inc.

The Board of Directors of PAID, Inc., a Delaware corporation (the “Company”) is soliciting your consent on behalf of the Company to approve the following six proposals (the “Proposals”), which have been approved by our Board of Directors (the “Board”):

1. To consider and vote on a proposal giving the Board the authority to effect a reverse split of the Company’s outstanding common stock, at an exchange ratio ranging between 1-for-500 and 1-for-3000, with the exact exchange ratio to be determined by the Board in its sole discretion, immediately followed by a forward split of the Company’s outstanding common stock, at an exchange ratio ranging between 50-for-1 and 300-for-1, respectively, with the exact exchange ratio to be determined by the Board in its sole discretion, by filing amendments to the Company’s Certificate of Incorporation;
2. To approve an amendment to the Company’s Certificate of Incorporation to change the name of the Company from PAID, Inc. to ShipTime Inc.;
3. To approve an amendment to the Company’s Certificate of Incorporation to permit the Chairman of the Board of Directors to have a deciding vote in the event of a tie vote of the Board of Directors;
4. To approve an amendment to the Company’s Bylaws to provide for a classified Board of Directors;
5. To approve an amendment to the Company’s Certificate of Incorporation to increase the Company’s authorized shares of common stock from 11,000,000 (pre-reverse/forward split) to 25,000,000 (post-reverse/forward split); and
6. To approve an amendment to the Company’s Certificate of Incorporation to authorize the issuance of up to 20,000,000 shares of blank check preferred stock.

We are soliciting your approval of the Proposals by written consent in lieu of a meeting of stockholders because our Board believes that it is in the best interests of the Company and our stockholders to solicit the approval in the most cost effective manner. A form of written consent is enclosed for your use.

This consent solicitation statement and accompanying form of written consent will be sent or given to our stockholders from whom we are seeking consent on or about October __, 2016. Our Board has fixed the close of business on __, 2016 as the record date (the “Record Date”) for determination of our stockholders that are entitled to give written consents. Only the stockholders of record on the Record Date are entitled to give written consent to the Proposals.

The written consent of stockholders representing a majority of the voting power of our outstanding common stock as of the Record Date is required to approve the Proposals.

Your consent is important regardless of the number of shares of our common stock that you hold. Although our Board has approved the Proposals, the Proposals require the approval by the vote of our stockholders holding a majority of

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the voting power of our outstanding common stock as of the Record Date.

Our Board unanimously recommends that you consent to the Proposals. The Proposals will be approved by our stockholders when we have received written consents to the Proposals from stockholders representing a majority of the voting power of our outstanding common stock. If you approve each of the Proposals, please mark the enclosed written consent form to vote "For" each Proposal, and complete, date, sign and return your written consent to us

By Order of the Board of Directors,

/s/ W. Austin Lewis, IV

W. Austin Lewis, IV
President

Westborough, Massachusetts

October __, 2016

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PAID, INC.
200 Friberg Parkway, Suite 4004
Westborough, Massachusetts 01581
(617) 861-6050

CONSENT SOLICITATION

SUMMARY TERM SHEET

The following is a summary of the material terms of the proposed amalgamation or merger. This summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in or accompanying this proxy statement. We urge you to review the entire proxy statement and accompanying materials carefully.

- The Proposed Transaction (page 31-38)
 - o The Company proposes to merge, though an “amalgamation”, an Ontario company called emergeIT Inc. which does business under the brand name “Shiptime”, into a recently formed Company subsidiary.
 - o emergeIT is currently owned by 13 shareholders.
 - o The shareholders have agreed to have emergeIT merge into the Company’s subsidiary, and in exchange, emergeIT shareholders will receive “exchangeable shares”, which are a right to receive shares of the Company’s common stock and shares of a new class of preferred stock.
- Vote Required in the Proposed Transaction (page 33)
 - o The Company’s shareholders are not required to approve the merger or amalgamation. However, before the transaction can be completed, the Company’s shareholders are required to authorize a new class of preferred stock and to increase the Company’s authorized shares of common stock.
 - o Separately, the Company decided to propose to reduce the number of overall shares by proposing a reverse/forward split. If the reverse/forward split is not approved, the Company can re-propose the proposals to create the class of preferred stock and the to increase the number authorized common stock to no longer take into effect the reverse/forward split.
 - o The Company also proposes to approve a name change and a classified board of directors, each of which are conditions required by agreement before the amalgamation can occur (unless emergeIT waives these conditions).
- Consideration Paid under the Proposed Transaction (page 31)
 - o If the merger or amalgamation is completed, the former holders of emergeIT will hold rights to the former holders of emergeIT will hold rights to approximately 79.5% of all the issued and outstanding shares of capital stock of the Company, and the current stockholders of the Company will own approximately 20.5% of all the issued and outstanding shares of capital stock of the Company.

- Approval by the Board of Directors of the Company (page 31)
 - o The Company's Board of Directors approved the proposed merger or amalgamation and voted to approve the transaction.
 - o The Company believes that the acquisition of emergeIT into a newly formed subsidiary of the Company will add additional revenue and products for the Company and will allow the Company more significant cash flow for growth.
 - o The Company believes that the existing management of emergeIT will add expertise with respect to the types of products that the Company intends to sell.

- Termination (page 32)
 - o The Amalgamation Agreement may be terminated by:
 - § written agreement, or
 - § generally if the amalgamation does not occur on or before November 15, 2016, or
 - § if a law prohibits the transaction, or if holders of 25% or more of emergeIT securities have exercised their dissenters' rights with respect to the transaction.

- Company Shareholder Approval (page 32)
 - o The Company's stockholders do not have a right to vote to approve the amalgamation agreement or the issuance of the shares of common stock or preferred stock if there are enough shares authorized and the class of preferred stock is approved.
 - o There are currently not enough shares authorized and there is no current authorization for any preferred stock.
 - o Thus, if the Company's shareholders do not approve Proposal 5 and Proposal 6, described below, the Amalgamation Agreement will be terminated.
 - o After the acquisition and merger, assuming approval of Proposal 2 described below, the Company will change its name to ShipTime Inc. at the time described in the Proposal 2.

- Exchange and Call Rights Agreement (page 32)
 - o The existing holders of emergeIT will be required to exchange their shares in emergeIT into "exchangeable shares" of the amalgamated company, ShipTime Inc.
 - o The holders of ShipTime Inc. will have those rights described in its organizational documents.
 - o ShipTime Inc.'s authorized capital will be composed of preferred shares, and common shares.
 - o The preferred shares are exchangeable into a right to receive approximately 480 shares of the Company's preferred stock and 3,344 shares of the Company's common stock.
 - o Any and all outstanding common shares will be owned by Callco, the Company's direct subsidiary.
 - o As a result, Callco will have the only voting shares of ShipTime Canada Inc.
 - o Holders of ShipTime Inc. shares will have the same dividend and distribution rights as holders of Company shares, and if Company shares are subdivided or in the event of a Company stock dividend, the exchangeable shares will be equally subdivided, as exchangeable shares are intended to be economically the same as shares of common or preferred stock of the Company.
 - o The Company will have a "liquidation call right" in the event of proposed liquidation, dissolution or winding up of ShipTime Canada Inc.
 - o Generally, the Company will redeem the exchangeable shares on the fifth anniversary whereby the Company will redeem the exchangeable shares for shares of the Company's preferred stock and common stock.

- o By agreement, exchangeable shares also may be purchased by ShipTime Canada Inc. for cancellation. The Company also has a right to call the shares in the event of a change in the applicable laws.
- o The holders of exchangeable shares have an “automatic exchange right” in the event any bankruptcy or insolvency or in general, related proceedings, of ShipTime Canada Inc. or the Company.
- o The exchangeable shares would at such time be converted automatically into that number of shares of common stock and preferred stock of the Company at the agreed upon conversion ratio.
 - o Moreover, Callco will have an overriding call right to purchase some or all of the exchangeable shares.
- o This mechanism will be triggered with the automatic exchange right and is necessary to comply with Canadian tax laws.
 - o The exercise of this call right does not alter the outcome of the exchangeable share transaction.

Support Agreement (page 33)

- o The Company will be required to enter into a Support Agreement with the combined entity.
- o The Support Agreement will generally provide that the Company will treat holders of Exchangeable Shares substantially similar, or economically equivalent, to holders of Company stock.
- o Under the Support Agreement, the Company cannot declare or pay any dividend or other distribution on Company stock unless ShipTime Inc. simultaneously declares or pays the dividend or distribution on the Exchangeable Shares and has sufficient money or other assets to meet these requirements.
- o In turn, the ShipTime Inc. would effect a corresponding dividend or distribution of its securities related to the Exchangeable Shares.
- o The Company also undertakes to advise ShipTime Inc. of the declaration of dividend or distribution, among other similar events, and to cooperate with it to effect the dividend or distribution as of the same record and effective date.
- o The Company is also required in this case to segregate funds to pay for the dividend, and to reserve sufficient number of shares to permit the exchange of the Exchangeable Shares into the required number of Company shares of common stock and preferred stock.

Employment Agreement (page 33)

- o After the amalgamation or merger occurs, Allan Pratt will serve as the Company’s President and CEO.
 - o Allan Pratt will enter into an Employment Agreement.
- o The Employment Agreement will be for an initial term through February 2020, with a base salary of \$185,000 and eligibility for a bonus as the Board of Directors determines.
 - o Bonuses may be in the form of cash, equity awards or both.
- o Mr. Pratt will be eligible for employee and fringe benefits consistent with other employees, and equity awards adopted by the Company for its employees generally.
- o Mr. Pratt will also have an automobile allowance of \$600 per month and mileage reimbursement for business travel at IRS rates.
 - o Mr. Pratt may terminate the agreement at any time with 30 days’ notice.
- o The Company may terminate Mr. Pratt for “cause”, which shall include willful, intentional or tortious conduct detrimental to the Company’s operations.
- o The Company may terminate Mr. Pratt without cause upon giving 30 days’ notice, subject to a severance payment.

- o Mr. Pratt also may terminate his employment for “good reason”.

o Good reason is defined as a material diminution in his authority, duties or responsibilities, a change in geographic location from where Mr. Pratt provides services, or any action or inaction by the Company that constitutes a breach of the employment agreement.

o If Mr. Pratt is terminated without cause or by Mr. Pratt for “good reason,” during the initial term, Mr. Pratt shall receive a severance payment which is three times his overall compensation of salary plus bonus, which amount decreases after two years to three times his base salary.

- o Mr. Pratt would be subject to a two year non-compete with respect to on-line package shipping services to small businesses and retail customers in the territory of the United States and Canada.

- o In addition, W. Austin Lewis, IV is expected to continue to serve in his capacity as Treasurer and CFO, as well as Director, but will step down as President and CEO.

- o The Company’s board anticipates that Mr. Lewis will also enter into an employment agreement.

- Board of Directors After the Merger/Amalgamation (page 33)

- o Once the merger or amalgamation occurs, the Company’s Board of Directors will be increased from three to five.

- o The Company expects that the Board of Directors will appoint three individuals to the Board, including Allan Pratt, current President of emergeIT, who will serve as the Chairman of the Board, and W. Austin Lewis, IV, the Company’s current President.

- o The Company expects one current Company director will resign from the Board of Directors immediately before the amalgamation occurs.

- o The Company also proposes with shareholder approval to have a staggered or classified board of directors, where each director serves a three year term rather than the current one year term.

- Accounting Treatment--Net Operating Losses (page 34)

o The Company anticipates that it will be able to preserve its net operating losses carry forwards for federal income tax purposes after effectiveness of the merger or amalgamation of its new subsidiary with emergeIT.

Question and Answers about this Consent Solicitation

Why am I receiving these materials?

The Board of Directors of the Company is soliciting our stockholders to approve the following six proposals by written consent:

1. To consider and vote on a proposal giving the Board the authority to effect a reverse split of the Company's outstanding common stock, exchange ratio ranging between 1-for-500 and 1-for-3000, with the exact exchange ratio to be determined by the Board in its sole discretion, immediately followed by a forward split of the Company's outstanding common stock, at an exchange ratio ranging between 50-for-1 and 300-for-1, respectively, with the exact exchange ratio to be determined by the Board in its sole discretion, by filing amendments to the Company's Certificate of Incorporation ("Proposal 1");
2. To approve an amendment to the Company's Certificate of Incorporation to change the name of the Company from PAID, Inc. to ShipTime Inc. ("Proposal 2");
3. To approve an amendment to the Company's Certificate of Incorporation to permit the Chairman of the Board of Directors to have a deciding vote in the event of a tie vote of the Board of Directors ("Proposal 3");
4. To approve an amendment to the Company's Bylaws to provide for a classified Board of Directors ("Proposal 4");
5. To approve an amendment to the Company's Certificate of Incorporation to increase the Company's authorized shares of common stock from 11,000,000 (pre-reverse/forward split) to 25,000,000 (post-reverse/forward split) ("Proposal 5"); and
6. To approve an amendment to the Company's Certificate of Incorporation to authorize the issuance of up to 20,000,000 shares of blank check preferred stock ("Proposal 6").

On August 11, 2016, and again on August 26, 2016, our Board of Directors (the "Board") met and approved the Proposals and we are now seeking stockholder approval. Stockholder approval is required to effect the Proposals.

What is included in these materials?

These materials include:

- this consent solicitation statement; and
- the written consent form.

Important Notice Regarding the Availability of Materials for This Consent Solicitation

The materials listed above are also available at www.paid-corp.com.

What do I need to do now?

We urge you to carefully read and consider the information contained in this consent solicitation statement. We request that you send your written consent to the Proposals described in this consent solicitation statement.

Who can give the written consents?

Our Board has fixed the close of business on _____, 2016 as the record date (the “Record Date”) for determination of our stockholders entitled to give written consents. If you were a stockholder of record on the Record Date, you are entitled to give written consent to the Proposals. As of the Record Date, there were 10,989,608 shares of our common stock issued and outstanding.

How many votes do I have?

You have one vote for each share of our common stock that you owned as of the Record Date.

How do I send my written consent?

If your shares are registered directly in your name with our transfer agent, Olde Monmouth Stock Transfer Co., Inc., please complete, date, sign, and return the enclosed written consent form via fax, email or mail to any of the following addresses:

- MAIL: PAID, Inc., 200 Friberg Parkway, Suite 4004, Westborough, MA 01581
- FACSIMILE: (617) 861-6050
- EMAIL: _____@paid-corp.com

If you hold your shares in “street name” and wish to send your written consent, you must follow the instructions given by your broker, bank, or other nominee or contact your broker or bank.

What is the difference between a stockholder of record and a “street name” holder?

If your shares are registered directly in your name with our transfer agent, Olde Monmouth Stock Transfer Co., Inc., then you are a stockholder of record with respect to those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, then the broker, bank, or other nominee is the stockholder of record with respect to those shares. However, you still are the beneficial owner of those shares, and your shares are said to be held in “street name.” Street name holders need to follow the instructions located in the consent package you receive from your bank or broker.

What vote is required for the approval of the Proposals?

The Proposals will be approved by our stockholders if we receive written consents from stockholders holding a majority of the voting power as of the Record Date, or written consents representing at least 5,494,804 shares of our common stock.

How are votes counted?

A written consent form that has been signed, dated and delivered to us with the “For” box checked will constitute consent for the Proposals. A written consent form that has been signed, dated and delivered to us with the “Against” or “Abstain” boxes checked or without any of the boxes checked will be counted as a vote against the Proposals. Abstentions and broker non-votes will have the same effect as a vote against the Proposals.

A “broker non-vote” occurs when a broker, bank, or other nominee holding shares for a beneficial owner in street name does not vote on the Proposals because it does not have discretionary voting power with respect to the Proposals and has not received instructions with respect to the Proposals from the beneficial owner of those shares, despite voting on at least one other proposal for which it does have discretionary authority or for which it has received instructions.

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When is the approval of the Proposals effective?

The approval of our stockholders of each Proposal is effective when we receive the written consents to each such Proposal from our stockholders representing a majority of the voting power of our outstanding common stock as of the Record Date.

When will the Consent Solicitation be Terminated?

The Company reserves the right to terminate the consent solicitation at any time. It will complete the consent solicitation when it receives a sufficient number of consents to authorize all of the Proposals. Under Delaware law, no written consent shall be effective to approve a Proposal unless, within 60 days of the earliest dated consent has been delivered, written consents for such Proposal have been signed and received by the number of holders to take the action.

How does the Board recommend that I vote?

Our Board recommends that you vote:

“FOR” Proposal 1 to consider and vote on a proposal giving the Board the authority to effect a reverse split of the Company’s outstanding common stock, at an exchange ratio ranging between 1-for-500 and 1-for - 3000 , with the exact exchange ratio to be determined by the Board in its sole discretion, immediately followed by a forward split of the Company’s outstanding common stock, at an exchange ratio ranging between 50-for-1 and 300 - for-1, respectively, with the exact exchange ratio to be determined by the Board in its sole discretion, by filing amendments to the Company’s Certificate of Incorporation;

“FOR” Proposal 2 to approve an amendment to the Company’s Certificate of Incorporation to change the name of the Company from PAID, Inc. to ShipTime Inc.;

“FOR” Proposal 3 to approve an amendment to the Company’s Certificate of Incorporation to permit the Chairman of the Board of Directors to have a deciding vote in the event of a tie vote of the Board of Directors;

“FOR” Proposal 4 to approve an amendment to the Company’s Bylaws to provide for a classified Board of Directors;

“FOR” Proposal 5 to approve an amendment to the Company’s Certificate of Incorporation to increase the Company’s authorized shares of common stock from 11,000,000 (pre-reverse/forward split) to 25,000,000 (post-reverse/forward split); and

“FOR” Proposal 6 to approve an amendment to the Company’s Certificate of Incorporation to authorize the issuance of up to 20,000,000 shares of blank check preferred stock.

Can I revoke my written consent after sending it?

Yes. A written consent, once dated, signed and delivered to us, will remain effective unless and until revoked by a written notice of revocation dated, signed and delivered to us before the time that we have received written consents to the Proposals from our stockholders representing a majority of the voting power of our outstanding common stock as of the Record Date. Please send your notice of revocation by fax, email or mail via the same address that you would send your written consent, as disclosed elsewhere in this consent solicitation statement.

Do I have rights of appraisal or similar rights of dissenters with respect to the Proposals?

No. Neither Delaware law nor our Certificate of Incorporation or Bylaws provide our stockholders with rights of appraisal or similar rights of dissenters with respect to the Proposals.

Have Shareholders Indicated that they will Execute Consents that Vote in Favor of the Proposals?

No, no shareholder has indicated that he, she or it will execute a consent and no shareholder has been formally solicited to provide consent.

Who pays for the expense of this consent solicitation?

We will be making the solicitation. We will pay for the expense of soliciting the written consents and the cost of preparing, assembling and mailing material in connection therewith. Copies of solicitation materials may be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to the beneficial owners. We may reimburse persons representing beneficial owners of our common stock for their costs of forwarding solicitation materials to the beneficial owners. Original solicitation of written consents by mail may be supplemented by telephone, facsimile, other approved electronic media or personal solicitation by our directors, officers, or regular employees. These individuals will receive no additional compensation for such services.

Forward-Looking Statements

This consent solicitation statement contains forward-looking statements. These statements relate to future events. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our Company’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

OUTSTANDING VOTING STOCK OF THE COMPANY

As of the Record Date, there were 10,989,608 shares of common stock issued and outstanding. The common stock constitutes the only outstanding class of voting securities of the Company. Each share of common stock entitles the holder to one (1) vote on all matters submitted to the stockholders. Stockholders do not have cumulative voting rights or pre-emptive rights for the purchase of additional shares of capital stock. The additional shares of common stock for which authorization is now sought are identical to the shares of common stock now authorized.

Delivery of Consents

When a consent is properly executed and returned, the shares it represents will be voted as directed. If no specification is indicated, the shares will be voted:

“FOR” Proposal 1 to consider and vote on a proposal giving the Board the authority to effect a reverse split of the Company’s outstanding common stock, at an exchange ratio ranging between 1-for-500 and 1-for-3000,